

# STATE OF WISCONSIN

SENATE CHAIR  
**Howard Marklein**

316 East, State Capitol  
P.O. Box 7882  
Madison, WI 53707-7882  
Phone: (608) 266-0703



ASSEMBLY CHAIR  
**Mark Born**

308 East, State Capitol  
P.O. Box 8952  
Madison, WI 53708-8953  
Phone: (608) 266-2540

## JOINT COMMITTEE ON FINANCE

### MEMORANDUM

To: Members  
Joint Committee on Finance

From: Senator Howard Marklein  
Representative Mark Born

Date: June 30, 2023

Re: ETF Report to JFC

Attached is an annual report on the Department's major initiatives of modernizing its business processes and integrating its information technology systems from the Department of Employee Trust Funds, pursuant to s. 40.03(2)(vm), Stats.

This report is being provided for your information only. No action by the Committee is required. Please feel free to contact us if you have any questions.

Attachments

HM:MB:jm



STATE OF WISCONSIN  
Department of Employee Trust Funds  
A. John Voelker  
SECRETARY

Wisconsin Department  
of Employee Trust Funds  
PO Box 7931  
Madison WI 53707-7931  
1-877-533-5020 (toll free)  
Fax 608-267-4549  
etf.wi.gov

June 30, 2023

JUN 30 2023

*J. Finance*

SECRETARY-DESIGNEE KATHY BLUMENFELD  
WI DEPARTMENT OF ADMINISTRATION  
101 E WILSON ST, 10TH FLOOR  
MADISON, WI 53703

THE HONORABLE HOWARD MARKLEIN  
CO-CHAIR, JOINT COMMITTEE ON FINANCE  
316 E STATE CAPITOL  
MADISON, WI 53707

THE HONORABLE MARK BORN  
CO-CHAIR, JOINT COMMITTEE ON FINANCE  
308 E STATE CAPITOL  
MADISON, WI 53707

Dear Secretary-designee Blumenfeld, Senator Marklein, and Representative Born:

The Fiscal Year 2013-15 Biennial Budget Bill (Act 20) required the Department of Employee Trust Funds to submit an annual report on the Department's major initiative of modernizing its business processes and integrating its information technology systems. The report is due July 1, 2023. Attached is the report.

Please contact me or ETF's Government Relations Director, Tarna Hunter at 267-0908, if you have any questions or would like additional information.

Sincerely,

A. John Voelker  
Secretary



**STATE OF WISCONSIN**  
**Department of Employee Trust Funds**  
A. John Voelker  
SECRETARY

Wisconsin Department  
of Employee Trust Funds  
PO Box 7931  
Madison WI 53707-7931  
1-877-533-5020 (toll free)  
Fax 608-267-4549  
etf.wi.gov

***Correspondence Memorandum***

**Date:** June 30, 2023

**To:** Secretary-designee Kathy Blumenfeld  
Department of Administration

Senator Howard Marklein  
Representative Mark Born  
Joint Committee on Finance

**From:** Department of Employee Trust Funds

**Subject:** 2013 WI Act 20 Informational Report — Transformation, Integration and Modernization Project

2013 Act 20 created a statutory requirement (Wis. Stats. 40.03 (2) (vm)) that directs ETF to submit an annual report by July 1 to the Department of Administration Secretary and the Joint Committee on Finance regarding progress in modernizing its business processes and integrating its IT systems (Section 713). This report is submitted in compliance with that requirement.

ETF's mission is to develop and deliver quality benefits and services to its customers while safeguarding the integrity of the trust. Accompanying the mission are four strategic goals. These include the following:

- Create an effortless customer experience.
- Implement outcomes-driven performance measurement and process management.
- Build a talented and agile workforce.
- Implement modern, secure and resilient information technologies.

The Transformation, Integration and Modernization (TIM) project is critical to the mission and accomplishing these goals. The TIM project is a multi-year effort that consists of a portfolio of projects designed to modernize ETF's IT infrastructure and transform the administration of retirement, insurance, and other benefits. This project will replace 17 dated and fragile legacy systems and improve operational efficiency, enhance customer service, and mitigate the risk that system failures will impact the department's ability to make benefit payments accurately and timely. The project provides the necessary infrastructure to the state and local group health insurance program and the Wisconsin Retirement System (WRS), which is recognized as a leader in pension design, well into the future. Project developments over the past year are outlined in this annual update.

The Governor and Legislature provided funding and positions in the 2023-2025 biennial budget to support ETF's modernization effort. These resources are critical to the success of the TIM initiative.

### ***The Department of Employee Trust Funds***

ETF administers the WRS, state and local group health and life insurance programs, and a variety of other public employee fringe benefit programs. In terms of assets, the WRS is the eighth largest public pension system in the U.S. and provides retirement benefits for more than 670,000 current and former state and local government employees via more than 1,500 employers. The WRS is one of the few fully funded public pension systems in the U.S., with a funding ratio estimated at 100%. Members include current and former employees of Wisconsin's state agencies, University of Wisconsin System, most local governments, and technical college and public-school districts across the state. The agency is overseen by an independent governing board. WRS trust funds are held and invested by the State of Wisconsin Investment Board on behalf of ETF benefit program members.

### ***ETF's Modernization Initiative***

ETF has dubbed this enterprise-wide initiative or "portfolio" of projects TIM, short for Transformation, Integration and Modernization. Successful implementation will enable ETF to do the following:

1. mitigate the risk of system failure
2. meet the significant growth in demand for ETF services
3. meet the growing employer and employee demand for online services
4. increase operational efficiency
5. achieve overall improvement in customer service
6. create long-term administrative efficiencies for Wisconsin public employers

The modernization initiative is a multi-year program, focused on creating a solid technology, security, and data infrastructure to support three new benefit administration business applications: Enterprise Content Management (ECM), Insurance Administration System (IAS) and Pension Administration System (PAS). ETF is progressing well on the development of the infrastructure. Last year, ETF successfully implemented ECM, which provides case workflow management and the ability to image and catalogue over 20 million records annually. The new IAS is underway and scheduled to be implemented in 2024. Work on a new PAS will follow the IAS implementation. The modernization roadmap is attached.

### ***TIM Project Security***

In the present cybersecurity threat landscape, it is imperative for IT systems to include security measures. Consequently, information security remains a top priority in overseeing and implementing the TIM initiative and managing ETF programs. Security projects are designed to ensure that ETF addresses critical security issues, implements effective controls, and establishes a robust foundation based on industry standards. Several examples of ETF's security endeavors include: 1) establishing a collaborative systematic approach to identify vulnerabilities in the technology infrastructure; 2) conducting self-assessment reviews of ETF's existing security controls and business

processes against industry standards; and 3) administering thorough security reviews of vendors and service providers to ensure the presence of strong security controls for safeguarding ETF's information.

Additionally, ETF has recruited multiple information security experts, enhanced information security governance, authored and approved several information security policies, invested in staff security awareness, strengthened overall technology security, and consistently tested and validated security controls. All these initiatives are guided by ETF's systematic approach to protect its information assets through consistent and ongoing risk mitigation, aligning with the International Organization for Standardization (ISO) 27001 framework. As of July 1, 2023, ETF created a new division solely focused on data, security, and technology.

### ***2022-2023 TIM Project Accomplishments***

In the past year, ETF accomplished the following, with a focus on building a strong technology, data, and security infrastructure to begin supporting new modernized systems.

#### **Technology Program**

This program is a series of projects designed to provide specific capabilities for ETF to implement and support new systems and data management functions. This will enable the agency to effectively manage changes to the scope and direction of future requirements and ensure ETF acquires the most value from the new systems.

With the formal completion of the Technology Program, the focus is shifting to individual initiatives to complete the final pieces of the infrastructure and operationalize the capabilities in support of modernized business solutions.

- Completed a market search, proof of concept, and product selection for an Identity Proofing Solution. Identity Proofing is the activity of verifying, within a high degree of certainty, that a person is who they claim to be. This is essential to mitigate fraudulent use of ETF's IT services going online in 2024.
- Began evaluating products designed to reduce fraud by verifying bank account status and ownership.
- Completed migration to the latest version of ETF's new strategic database platform, which is host to the Master Data Management (MDM) solution. This platform also hosts ETF-built components that are being used for new member and employer portals, which are currently in the process of being constructed.
- Implemented a new web-hosting platform that supports modern technologies required to develop new ETF applications. Gradually, ETF legacy systems needed in the modernized future state will be migrated to this platform.

- Bolstered security to ETF systems and network through the implementation of additional and enhanced security controls, including Identity and Access Management (IAM) functions.

Status: In Progress

### **Data Management Program**

This program is a series of projects designed to promote trust and accuracy in ETF's data and ensure that different systems are sharing data appropriately. This program will assess and implement data management best practices including the following:

- Providing data literacy training so staff can effectively read, work with, analyze and communicate data effectively.
- Developing a new data quality framework for modernized systems which will identify data quality issues to be addressed before the data is incorporated into various business applications.
- Expanding data governance to focus on security, privacy, and the lifecycle of data.
- Integrating new modernization system data sources into the Master Data Management which manages the optimum member demographic and contact information.

Status: In Progress

### **Insurance Administration System**

This project implements insurance administration technologies and decommissions a system that was developed in 2008. The solution will provide a new, fully integrated, best practices-based insurance administration system for benefits including health, life and income continuation insurance, and several supplemental benefits.

The solution will address ETF and customer needs through the following:

- **Eligibility and Enrollment**, including personalized member decision-making support tools and flexible business rule configuration.
- **Data Management** through electronic file transfers and data integration between ETF, employers, and benefit carriers.
- **Reporting and Analytics**, including a library of standard reports and robust ad hoc query, reporting, and analytics functionality.
- **COBRA Administration**
- **Billing and Payments**, including direct-billing services and invoice management.
- **Communication and Engagement** via mobile app capabilities, data-driven messaging, and educational videos.
- **Web-based, Self-Service Functionality** for all users - ETF staff, members, employers, and vendors.

Key accomplishments from the IAS project include the following:

- Completed UW System enrollment and eligibility platform configuration and testing.
- Completed Locals enrollment and eligibility platform configuration and testing.
- Provided regular project updates and conducted pre-planning, demonstrations, and review of technical specifications with the Department of Administration and the UW System.
- Began implementation projects with the health insurers, benefit administrators, and data warehouse vendors.

Status: In Progress

### **Pension Administration System**

This future project will implement pension administration technologies, taking a best-of-breed, commercial off-the-shelf approach, similar to the insurance administration system implementation. The system will be fully integrated with other ETF systems for enhanced data management and file transfers, reporting and analytics, and general pension administration. The new system will be web-based and will provide self-service functionality to account information for all users and will include mobile application capabilities. This system will replace systems that were developed in the 1980s and 1990s.

Status: Pending IAS Implementation.

### ***TIM Annual Report Follow-up***

As noted in ETF's June 30, 2021, ETF and the vendor ETF contracted with to provide a customized off-the-shelf benefits administration system were involved in a contract dispute. In April 2018 ETF partially terminated its contract with the vendor. Because subsequent efforts to mutually resolve the dispute were not successful, the Wisconsin Department of Justice, on behalf of ETF, filed a lawsuit in Dane County Circuit Court in March 2019. Among other things, the lawsuit asserts the vendor breached its contract with ETF. ETF is seeking damages suffered as a result of the vendor's actions. ETF's lawsuit and the vendor's counterclaim survived the summary judgment process. Extensive discovery has occurred and discussions between the parties have continued. At this point, the case is set for a status conference on October 9, 2023.

If you have any questions on this report, please contact Tarna Hunter at 608-267-0908.

# ETF Modernization Roadmap

